But it is also true that there are, at all times, a very large number of securities, especially in the industrial market, which would stand higher if their earning power and position were more closely scrutinised. This is very clearly seen to be the case from the apparently extravagant prices at which insurance companies, for example, sometimes buy the businesses of one another. They give a price which is considerably above the market value of the concern as represented by the price of its shares. Critics say that the terms are extravagant, and yet the deal is found to be highly profitable to the buying company. The profit of the deal, of course, may be increased by the advantages of amalgamation, but quite apart from that it is clear that the market price of securities very often undervalues, as it also, perhaps, still oftener overvalues, the real position of the companies on whose earning powers they represent claims. In any case, there is the fact that these capitalisations of reserve funds, which make no real difference to the actual position of the company, are universally regarded, in the language of the Stock Exchange, as " bull points/' It is assumed, of course, that the directors would not carry out such an operation unless they saw their way to a higher earning power in the future as a justification for the larger capital. In this expectation the directors might be right or wrong, and, even

if they are right, that prospect o$ higher earning power, if market prices could be relied upon to express the true position of a company, would have been " in the price/'